



Iowa Research Activities Credit

Name(s)	Social Security No.
Name of Partnership or S Corporation (if applicable)	Federal ID No.

PART I: COMPUTATION OF CREDIT FOR INCREASING RESEARCH ACTIVITIES

1. Basic research payments paid or incurred to qualified organizations in tax year ... 1. _____
2. Qualified organizations base amount 2. _____
3. Subtract line 2 from line 1 (not to be less than zero) 3. _____
4. Wages for services used in qualifying research 4. _____
5. Cost of supplies used in conducting qualified research 5. _____
6. Rental or lease costs of personal property used in conducting qualified research 6. _____
7. 65% of contract expenses 7. _____
8. Add lines 4 through 7 8. _____
9. Enter fixed-base percentage, but not more than 16% 9. _____
10. Enter average annual gross receipts 10. _____
11. Base amount: Multiply line 10 by the percentage on line 9 11. _____
12. Subtract line 11 from line 8 12. _____
13. Multiply line 8 by 50% 13. _____
14. Enter the smaller of line 12 or line 13 14. _____
15. Total allowable expenses: Add line 3 and line 14 15. _____

PART II: PERCENTAGE OF RESEARCH ACTIVITIES OCCURRING WITHIN IOWA

16. Basic research payments paid or incurred to qualified organizations in Iowa during tax year 16. _____
17. Iowa apportioned qualified organizations base amount 17. _____
18. Subtract line 17 from line 16 (not to be less than zero) 18. _____
19. Wages for qualifying research services performed in Iowa 19. _____
20. Cost of supplies used in conducting qualifying research in Iowa 20. _____
21. Rental or lease costs of personal property used in conducting qualified research in Iowa 21. _____
22. 65% of contract expenses for qualifying research performed in Iowa 22. _____
23. Add lines 19 through 22 23. _____
24. Total Iowa qualified research expenses (add lines 16 and 23) 24. _____
25. Total current year qualified research expenses (add lines 1 and 8) 25. _____
26. Divide line 24 by line 25 and enter percentage to 3 decimals 26. _____
27. Expenses allocable to Iowa (multiply line 15 by line 26) 27. _____
28. Credit for increasing research activities (multiply line 27 by 6.5%) 28. _____
29. Flow-through Iowa Research Activities Credit received from partnership, S Corporation or estate or trust 29. _____
30. Total allowable Iowa Research Activities Credit (add lines 28 and 29 and enter on IA 1120, Schedule C-1; or on line 14, IA 1120A; or line 66, IA 1040; or line 31, IA 1041) 30. _____

If you qualify for the additional research activities credits under Iowa Code section 15.335, please contact the department.

Special Instructions

1. Trades or Businesses that are under Common Control.

For a group of trades or businesses under common control (whether or not incorporated), the credit for increasing research activities is figured as if all the organizations are one trade or business. The credit figured for the group must then be shared among the members of the group on the basis of each member's proportionate contribution to the increase in research expenses.

2. Adjustments for Certain Acquisitions and Dispositions. If a major portion of a trade or business is acquired or disposed of, adjustments must be made to research expenses for the period before or after the acquisition or disposition.

3. Short Tax Year. For any short tax year, qualified research expenses are annualized.

4. Apportionment of Credit. The credit figured on lines 1 through 30 by a partnership, S corporation, estate or trust are apportioned to the individual partners, shareholders, or beneficiaries, respectively. This apportioned credit is entered on line 29 of a separate form IA 128 to determine the allowed credit to be entered on their tax returns.

Estates or Trusts. An estate or trust must complete lines 1 through 30 and apportion the current year credit on line 29 between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each. The estate or trust will then enter its share of the credit on line 29 of a separate form IA 128 and complete the rest of the form, as applicable, to determine its allowed credit to be claimed on form IA 1041. Both forms are attached to form IA 1041 for the tax year the credit is earned. The beneficiaries' share will be apportioned to the individual beneficiaries, and each beneficiary determines his or her allowed credit as explained above.

Note: If you are a shareholder, partner, or beneficiary with a credit from two sources, such as from a sole proprietorship and a partnership, figure the credit of the proprietorship on form IA 128, lines 1 through 28, if you are claiming the research credit. Then enter the flow-through credit from the partnership on line 29 and complete the rest of the form to determine the credit to be entered on your tax return.

Any individual, estate, trust, organization or corporation claiming an Iowa credit for increasing research activities or any S corporation, partnership, estate or trust that shares the credit among its shareholders, partners, or beneficiaries should attach this form to its Iowa income tax return.

S corporations, partnerships, estates and trusts that share the credit among their shareholders, partners or beneficiaries must show on Schedule K-1, or on an attachment to Schedule K-1, the credit for each shareholder, partner or beneficiary.

Qualified research does not include research conducted outside the United States, research in the social sciences or humanities, and research to the extent funded by any grant, contract, or otherwise by another person or any governmental entity.

PART I: COMPUTATION OF CREDIT FOR INCREASING RESEARCH ACTIVITIES

Lines 1. Corporations other than S corporations, personal holding companies, and service organizations enter cash payments to a qualified university or scientific research organization pursuant to a written contract.

Line 2. Enter the base period amount as defined in section 41(c) of the Internal Revenue Code. A portion of this amount not to exceed the amount on line 1 can also be treated as a contract research expense on line 7 of this form subject to the 65% limitation.

Line 3. If line 1 is greater than line 2, enter the difference. If line 2 is greater than line 1, enter zero.

Line 4. Enter any wages paid or incurred to an employee for qualified services performed by such employee.

Line 5. Enter the amounts paid or incurred for supplies used in the conduct of qualified research.

Line 6. Enter the amount paid or incurred to another person for the right to use computers in the conduct of qualified research. This entry must be reduced by any amount you receive or accrue from any other person for the right to use substantially identical personal property.

Line 7. Include 65% of any amount paid or incurred for qualified research performed on your behalf. Prepaid contract research expenses are considered paid in the year the research is actually done. Also, include 65% of that portion of line 2 that does not exceed line 1.

Line 9. Enter the fixed-base percentage, not to exceed 16%. See section 41 (c) of the Internal Revenue Code.

Line 10. Enter the average annual gross receipts for the four tax years preceding the tax year for which the credit is being determined. For any short year you may be required to annualize gross receipts. See IRC sections 41(c)(1)(b) and 41(f)(4) for details.

PART II: PERCENTAGE OF RESEARCH ACTIVITIES OCCURRING WITHIN IOWA

Lines 16, 19, 20, and 21. For these lines, enter only that portion of lines 1, 4, 5, and 6 respectively that are for qualifying expenses occurring in Iowa.

Line 17. Enter the amount on line 2 that is attributable to Iowa sources. For purposes of apportionment, the amount on line 2 should be prorated by the amount on line 16 divided by the amount on line 1.

Line 22. Enter the amount on line 7 that is attributable to Iowa sources. For purposes of apportionment, the amount on line 7 should be prorated by the ratio of contract services performed in Iowa to total qualifying contract expenses. Do not include any expenses that are already reflected in line 3 or line 16.

Line 29. If you received flow-through research credit(s) from a partnership, S corporation, or estate or trust, enter the amount of the credit(s) on this line. You must also include a copy of the IA 128 from the partnership, S corporation, or estate or trust as well as a schedule showing the apportionment to individual partners, shareholders or beneficiaries.

Line 30. Add lines 28 and 29 and enter the sum. This is total allowable Iowa Research Activity Credit. Also, enter this figure on IA 1120, Schedule C-1; or line 14, IA 1120A; or line 66 of the IA 1040; or on line 31 of the IA 1041. 41-128b (7/99)